

# WHAT TO EXPECT FROM AN AUDIT & HOW TO PREPARE

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INDIANA STATE BOARD OF ACCOUNTS



## REQUIRED AUDIT

- **Indiana Code 5-11-1-9**  
Requires the State Examiner to examine all accounts and all financial affairs of every public entity
- **Federal Grant Agreements**  
Federal grant agreements commonly call for an annual audit
- **Debt Covenants & Bond Rating Agencies**  
Most financial institutions and bond rating agencies accept the SBOA audit report for their purposes

## TYPES OF ENGAGEMENTS

- Federal Single Audit
  - Expenditures of Federal assistance exceeds \$750,000
- Examination
  - Performed for units that have outstanding debt
- Compliance Reports
  - Performed for units that do not have outstanding debt
  - Have revenues confirmed by outside sources
  - Have a limited amount of funds
- Centralized Compliance Reports
  - Performed for smaller units
  - Ease of records to be transmitted to SBOA central office in Indianapolis
  - Units of low risk

## GOALS OF AN ENGAGEMENT

- Provide Opinions on Financial Information Presented by Auditee
  - Unmodified, or “clean” opinion, lets readers know the information is materially correct
  - Modified opinion lets readers know there are issues that need to be taken into consideration when it comes to the information presented
- Provide Reader with Noncompliance of Federal Requirements for Major Programs and State Requirements
  - Federal: Section II (Financial Statement Compliance); Section III (Major Program Compliance)
  - State: Audit Results and Comments (significant or impactful to the unit and/or public)
- Provide Management with less Significant Noncompliance of State Requirements
  - Management Letter – General Noncompliance with State Statute or SBOA Compliance Guidelines Manual



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# ENTRANCE CONFERENCE



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## ENTRANCE CONFERENCE

### Who is invited?

- Those charged with governance – Council President
- Management – Fiscal Officer: Clerk-Treasurer or Controller

### What is discussed?

- Introduction to the Field Examiners that will be working on the audit
- General overview of:

*Audit Objectives*

*Management Responsibilities*

*Audit Procedures (general, internal control, compliance)*

*Informing Management of general records that will be requested*

*Start date & expected issuance date*

## ENTRANCE CONFERENCE

### Continuing Expectations

- Provide and inform attendees with a method to allow for continued communication throughout the audit process

### Field Examiners will:

- Explain the objectives of the engagement
- Explain what responsibilities management has
- Inform management of audit fees
- Answer any questions regarding the audit process

## AUDIT PROCESS

### Getting Started:

- Identification of Risks
- Testing



## IDENTIFICATION OF RISKS

- Risks Associated with Significant Audit Areas
- How City/Town Addressed Risks
- How Will Risk Impact Audit Procedures Performed



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## TESTING

- Internal Controls
- Substantive
- Compliance



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### ITEMS/RECORDS WE WILL BE NEEDING

- Financial Ledger
- Bank Statements and Reconcilements
- Claims / Receipts / Supporting Documentation
- Minutes of Meetings (include to current date)
- Ordinances / Resolutions
- Contracts
- Policies and Procedures – including Internal Controls
- Financial Reports – filed with State and/or Federal Government
- Grant Documents
  - Federal
  - Grant Applications and Agreements are key

### SINGLE AUDIT OF FEDERAL PROGRAMS

- Schedule of Expenditures of Federal Awards (SEFA)

Federal Grant Agency	Federal CFDA Number	Pass-Through Entity or Direct Grant	Pass-Through Entity or Other Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Indiana Department of Transportation	20 205				186,816
Department of Transportation					135,904
Highway Planning and Construction Cluster					471,436
Highway Planning and Construction					794,224
Highway Planning and Construction					4,487
Highway Safety Cluster					2,275
National Highway Traffic Safety Administration					11,771
National Highway Traffic Safety Administration					808,975
Total - Highway Safety Cluster					808,975
Total - Department of Transportation					808,975
Total Federal Awards Expended					808,975

- Selection of Major Programs
- Audit of Major Programs

## IDENTIFY SUBSEQUENT EVENTS

### What Happened After The Audit Period:

- Debt Issued
- Change in Financial Situation
- Lawsuits
- Any Other Situations with Material Impact

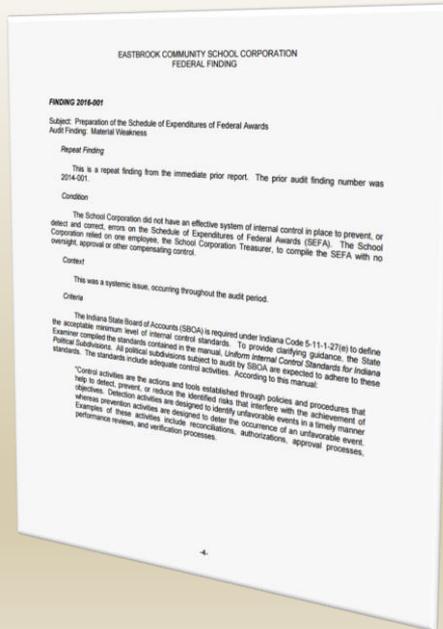
## CONCLUDING FIELDWORK

### Determine Opinions

	<b>STATE OF INDIANA</b> AN EQUAL OPPORTUNITY EMPLOYER	STATE BOARD OF ACCOUNTS 302 WEST WASHINGTON STREET ROOM 4114 INDIANAPOLIS, INDIANA 46204-2769  Telephone: (317) 232-2513 Fax: (317) 232-4711 Web Site: www.in.gov/sba
<b>INDEPENDENT AUDITOR'S REPORT</b>		
TO: THE OFFICIALS OF THE CITY OF NEW HAVEN, ALLEN COUNTY, INDIANA		
<b>Report on the Financial Statement</b>		
We have audited the accompanying financial statement of the City of New Haven (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement as listed in the Table of Contents.		
<b>Management's Responsibility for the Financial Statement</b>		
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (Indiana Code 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.		
<b>Auditor's Responsibility</b>		
Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.		
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.		
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.		
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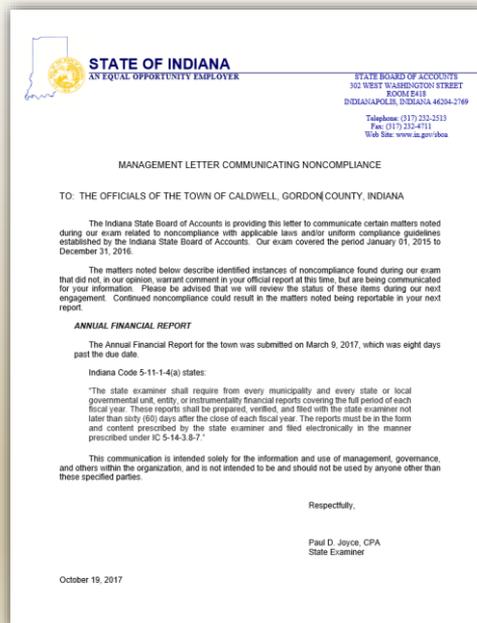
**CONCLUDING FIELDWORK**

Compile Comments



**CONCLUDING FIELDWORK**

Compile Management Letter







# QUESTIONS?

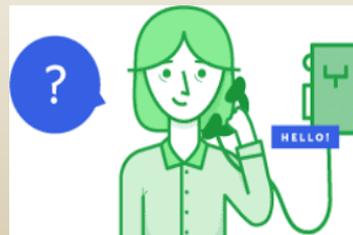
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## CONTACT INFORMATION

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